

**DEYAAR DEVELOPMENT PJSC**

**CONDENSED CONSOLIDATED INTERIM  
FINANCIAL INFORMATION (UNAUDITED)**

**FOR THE THREE MONTH PERIOD  
ENDED 31 MARCH 2019**

# Deyaar Development PJSC

## CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Unaudited)

*For the three month period ended 31 March 2019*

<b>Content</b>	<b>Pages</b>
Independent auditors' report on review of interim financial information	1 – 2
Condensed consolidated statement of financial position	3
Condensed consolidated statement of profit or loss	4
Condensed consolidated statement of profit or loss and other comprehensive income	5
Condensed consolidated statement of changes in equity	6
Condensed consolidated statement of cash flows	7
Notes to the condensed consolidated interim financial information	8 – 21



KPMG Lower Gulf Limited  
Level 13, Boulevard Plaza Tower One  
Mohammed Bin Rashid Boulevard, Downtown Dubai, UAE  
Tel. +971 (4) 403 0300, Fax +971 (4) 330 1515

## **Independent Auditors' Report on Review of Interim Financial Information**

To the Shareholders of Deyaar Development PJSC

### **Introduction**

We have reviewed the accompanying March 31, 2019 condensed consolidated interim financial information of Deyaar Development PJSC ("the Company") and its subsidiaries (collectively referred to as "the Group") which comprises:

- the condensed consolidated statement of financial position as at March 31, 2019;
- the condensed consolidated statement of profit or loss for the three month period ended March 31, 2019;
- the condensed consolidated statement of profit or loss and other comprehensive income for the three month period ended March 31, 2019;
- the condensed consolidated statement of changes in equity for the three month period ended March 31, 2019;
- the condensed consolidated statement of cash flows for the three month period ended March 31, 2019; and
- notes to the interim financial information.

Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

### **Scope of review**

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



## **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying March 31, 2019 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG Lower Gulf Limited

A handwritten signature in black ink, appearing to read 'Richard Ackland', with a stylized flourish at the end.

Richard Ackland  
Registration No.: 1015  
Dubai, United Arab Emirates

Date: **01 MAY 2019**

# Deyaar Development PJSC

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Note	31 March 2019 AED'000 (Unaudited)	31 December 2018 AED'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	7	900,422	731,161
Investment properties	6	351,646	350,592
Investments in a joint venture and an associate	13	1,337,146	1,333,051
Trade, contract and other receivables		41,785	10,803
Advance for purchase of properties	9	130,880	129,610
Long term fixed deposits		42,817	42,654
Equity investment at fair value through other comprehensive income		14,791	17,635
		<b>2,819,487</b>	<b>2,615,506</b>
<b>Current assets</b>			
Properties held for development and sale	8	1,272,148	1,395,457
Inventories		2,854	2,660
Trade, contract and other receivables		813,815	764,778
Due from related parties	10	808,795	808,674
Cash and bank balances	14	518,923	616,041
		<b>3,416,535</b>	<b>3,587,610</b>
<b>Total assets</b>		<b>6,236,022</b>	<b>6,203,116</b>
<b>EQUITY</b>			
Share capital		5,778,000	5,778,000
Legal reserve		291,204	291,204
Equity investments fair valuation reserve		(4,544)	(1,700)
Accumulated losses		(1,574,968)	(1,592,601)
<b>Total equity</b>		<b>4,489,692</b>	<b>4,474,903</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	11	773,760	798,626
Retentions payable		34,278	29,686
Provision for employees' end of service benefits		13,799	13,893
		<b>821,837</b>	<b>842,205</b>
<b>Current liabilities</b>			
Borrowings	11	192,340	215,207
Advances from customers		33,211	10,009
Trade and other payables	12	659,941	627,142
Retentions payable		38,775	33,650
Due to a related party	10	226	-
		<b>924,493</b>	<b>886,008</b>
<b>Total liabilities</b>		<b>1,746,330</b>	<b>1,728,213</b>
<b>Total equity and liabilities</b>		<b>6,236,022</b>	<b>6,203,116</b>

The condensed consolidated interim financial information was approved by the Board of Directors, and authorised for issue on 01 MAY 2019 and signed on their behalf by:

  
 .....  
 Saeed Al Qatami  
 Chief Executive Officer

  
 .....  
 Hani K. Fansa  
 Chief Financial Officer

The notes on pages 8 to 21 are an integral part of the condensed consolidated interim financial information. The independent auditors' report on review of the condensed consolidated interim financial information is set out on pages 1 and 2.

# Deyaar Development PJSC

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three month period ended 31 March 2019

	<i>Note</i>	Three month ended	
		31 March 2019 AED'000	31 March 2018 AED'000
		(Unaudited)	
Revenue		175,842	176,464
Direct / operating costs		(127,332)	(129,289)
Other operating income		3,912	4,347
General and administrative expenses		(37,959)	(33,941)
Impairment against trade receivable, contract and other financial assets		(1,126)	-
Provision / expense against claims	12	(692)	(8,994)
Gain from fair valuation on investment properties, net		8,239	-
Finance cost		(11,033)	(6,019)
Finance income		3,048	2,188
Share of results from a joint venture and an associate	13	4,095	30,499
Write back of provision for impairment against advance for purchase of properties	9	1,270	4,820
<b>Profit for the period</b>		<b>18,264</b>	<b>40,075</b>
Earnings per share – basic and diluted		<b>Fils 0.32</b>	Fils 0.69

The notes on pages 8 to 21 are an integral part of the condensed consolidated interim financial information.

The independent auditors' report on review of the condensed consolidated interim financial information is set out on pages 1 and 2.

# Deyaar Development PJSC

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three month period ended 31 March 2019

	Three month ended	
	31 March 2019	31 March 2018
Note	AED'000	AED'000
	(Unaudited)	
Profit for the period	18,264	40,075
<b>Other comprehensive income</b>		
<i>Items that will not be subsequently reclassified to profit or loss</i>		
Equity investment at fair value through other comprehensive income – net change in fair value	(2,844)	(474)
<b>Total comprehensive income for the period</b>	<b>15,420</b>	<b>39,601</b>

The notes on pages 8 to 21 are an integral part of the condensed consolidated interim financial information.

The independent auditors' report on review of the condensed consolidated interim financial information is set out on pages 1 and 2.

# Deyaar Development PJSC

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three month period ended 31 March 2019

	Share capital AED'000	Legal reserve AED'000	Available-for-sale fair valuation reserve AED'000	Equity investments fair valuation reserve AED'000	Accumulated losses AED'000	Total equity AED'000
Balance at 1 January 2018, as previously reported	5,778,000	277,189	481	-	(1,056,456)	4,999,214
Cumulative effect on adoption of IFRS 9 – Financial Instruments (refer note 2.3 (ii))	-	-	(481)	481	(661,233)	(661,233)
Balance at 1 January 2018 (restated)	5,778,000	277,189	-	481	(1,717,689)	4,337,981
<i>Total comprehensive income for the period (unaudited)</i>						
Profit for the period	-	-	-	-	40,075	40,075
Other comprehensive income for the period	-	-	-	(474)	-	(474)
Total comprehensive income for the period (unaudited)	-	-	-	(474)	40,075	39,601
Adjustments to Board of Directors' remuneration	-	-	-	-	848	848
<b>Balance at 31 March 2018 (unaudited)</b>	<b>5,778,000</b>	<b>277,189</b>	<b>-</b>	<b>7</b>	<b>(1,676,766)</b>	<b>4,378,430</b>
Balance at 1 January 2019, as previously reported	5,778,000	291,204	-	(1,700)	(1,592,601)	4,474,903
<i>Total comprehensive income for the period (unaudited)</i>						
Profit for the period	-	-	-	-	18,264	18,264
Other comprehensive income for the period	-	-	-	(2,844)	-	(2,844)
Total comprehensive income for the period (unaudited)	-	-	-	(2,844)	18,264	15,420
Adjustments to Board of Directors' remuneration (Refer note 10(b))	-	-	-	-	(631)	(631)
<b>Balance at 31 March 2019 (unaudited)</b>	<b>5,778,000</b>	<b>291,204</b>	<b>-</b>	<b>(4,544)</b>	<b>(1,574,968)</b>	<b>4,489,692</b>

The notes on pages 8 to 21 are an integral part of the condensed consolidated interim financial information.



# Deyaar Development PJSC

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the three month period ended 31 March 2019

	Note	Three month ended	
		31 March 2019 AED'000	31 March 2018 AED'000
(Unaudited)			
<b>Cash flows from operating activities</b>			
Net cash used in operating activities	14	(17,925)	(77,567)
<b>Cash flows from investing activities</b>			
Additions to property and equipment		(23,525)	(40,434)
Net movement in term deposits with an original maturity after three months		(94,205)	50,054
Income from deposits		2,891	2,188
Net cash (used in) / generated from investing activities		(114,839)	11,808
<b>Cash flows from financing activities</b>			
Repayments of borrowings	11	(152,604)	(25,238)
Drawdown of borrowings	11	104,871	44,764
Finance costs paid		(10,668)	(4,344)
Net cash (used in) / generated from financing activities		(58,401)	15,182
Net decrease in cash and cash equivalents		(191,165)	(50,577)
Cash and cash equivalents, beginning of the period		543,985	265,950
Impairment loss on bank balances		(70)	(40)
<b>Cash and cash equivalents, end of the period</b>		<b>352,750</b>	<b>215,333</b>
For the purpose of statement of cash flows, cash and cash equivalents comprise:			
Cash in hand		187	3,265
Current accounts		191,600	152,108
Fixed deposits		374,222	166,133
		566,009	321,506
Less: provision for impairment		(4,269)	(4,057)
<b>Cash and bank balances, net</b>		<b>561,740</b>	<b>317,449</b>
<b>Less: deposits with an original maturity after three months</b>		<b>(208,990)</b>	<b>(102,116)</b>
<b>Cash and cash equivalents</b>		<b>352,750</b>	<b>215,333</b>

The notes on pages 8 to 21 are an integral part of the condensed consolidated interim financial information. The independent auditors' report on review of the condensed consolidated interim financial information is set out on pages 1 and 2.

# Deyaar Development PJSC

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019

### 1 Legal status and activities

Deyaar Development PJSC (“the Company”) was incorporated and registered as a Public Joint Stock Company in the Emirate of Dubai, UAE on 10 July 2007. The registered address of the Company is P. O. Box 30833, Dubai, United Arab Emirates (“UAE”). The Company is listed on Dubai Financial Market.

The principal activities of the Company and its subsidiaries (together, “the Group”) are property investment and development, facilities and property management services.

This condensed consolidated interim financial information has been reviewed, not audited.

### 2 Basis of preparation and accounting policies

#### 2.1 Basis of preparation

The condensed consolidated interim financial information for the three month period ended 31 March 2019 have been prepared in accordance with IAS 34 ‘Interim financial reporting’. The condensed consolidated interim financial information should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2018, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and the requirements of UAE Federal Law No. (2) of 2015.

This is the first set of Group’s financial statements where IFRS 16 – Leases is applied. Changes to significant accounting policies are described in note 2.3.

#### 2.2 Significant accounting policies

Except for the changes in accounting for leases resulting from adoption of IFRS 16, the accounting policies adopted in the preparation of the condensed consolidated interim financial information are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2018. The Group had adopted IFRS 16 from 1 January 2019 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4.

#### 2.3 Change in significant accounting policies

##### (i) IFRS 16 Leases

##### *Policy applicable from 1 January 2019*

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

# Deyaar Development PJSC

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019 (continued)

### 2 Basis of preparation and accounting policies (continued)

#### 2.3 Change in significant accounting policies (continued)

##### (i) IFRS 16 Leases (continued)

- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
  - the Group has the right to operate the asset; or
  - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

##### a) As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

# Deyaar Development PJSC

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019 (continued)

### 2 Basis of preparation and accounting policies (continued)

#### 2.3 Change in significant accounting policies (continued)

##### (i) IFRS 16 Leases (continued)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position

##### b) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies IFRS 15 to allocate the consideration in the contract.

The Group recognises lease payments received under operating leases as income on a straightline basis over the lease term as part of 'other income'.

The accounting policies applicable to the Group as a lessor in the comparative period were not different from IFRS 16. However, when the Group was an intermediate lessor the sub-leases were classified with reference to the underlying asset.

Based on management's assessment, the application of IFRS 16 – Leases does not have a material impact on the condensed consolidated interim financial information as a lessor or as a lessee and hence, the Group did not make any adjustments in this regard.

# Deyaar Development PJSC

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019 (continued)

### 2 Basis of preparation and accounting policies (continued)

#### 2.3 Change in significant accounting policies (continued)

##### (ii) IFRS 9 Financial instruments

During the previous year, the Group had adopted IFRS 9 which was applicable from 1 January 2018. The following table summarises the impact of transition to IFRS 9 on impairment loss on opening balances as of 1 January 2018:

	31 December 2017 AED'000 <i>(As previously reported)</i>	Impact of re-measurement under IFRS 9 AED'000	1 January 2018 AED'000 <i>(Restated)</i>
<b>Impairment loss on:</b>			
Trade, contract and other receivables	(112,239)	(5,198)	(117,437)
Due from related parties	(1,345)	(651,978)	(653,323)
Long term fixed deposits	-	(3,940)	(3,940)
Cash and bank balances	-	(117)	(117)
	<u>(113,584)</u>	<u>(661,233)</u>	<u>(774,817)</u>

### 3 Estimates and assumptions

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing the condensed consolidated interim financial information, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2018 except for new significant judgement and key source of estimation uncertainty related to application of IFRS 16 which are described in note 2.3.

The Group has an established control framework with respect to the measurement of fair values, and management has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values.

The management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the management assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

# Deyaar Development PJSC

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019 (continued)

### 3 Estimates and assumptions (continued)

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period in which the change has occurred.

### 4 Financial risk management

The Group's activities potentially expose it to a variety of financial risks: market risk (including currency risk, price risk, cash flow and fair value interest rate risk), credit risk and liquidity risk.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual consolidated financial information, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2018. The Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial statements as at and for the year ended 31 December 2018.

### 5 Segmental information

#### Operating segment

The Board of Directors are the Group's chief operating decision maker. The Board considers the business of the group as a whole for the purpose of decision making. Management has determined the operating segments based on segments identified for the purpose of allocating resources and assessing performance. The Group is organised into three major operating segments: property development, properties and facilities management and hospitality.

Management monitors the operating results of its operating segments for the purpose of making strategic decisions about performance assessment. Segment performance is evaluated based on operating profit or loss.

# Deyaar Development PJSC

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019 (continued)

### 5 Segmental information (continued)

	Property development activities AED'000	Properties and facilities management AED'000	Hospitality AED'000	Total AED'000
<b>Three month period ended 31 March 2019 (unaudited)</b>				
Segment revenues – external	150,788	23,638	1,416	175,842
Segment profit / (loss)	19,138	2,485	(3,359)	18,264
<b>As at 31 March 2019 (unaudited)</b>				
Segment assets	5,870,093	285,123	80,806	6,236,022
Segment liabilities	1,504,774	229,710	11,215	1,745,699
<b>Three month period ended 31 March 2018 (unaudited)</b>				
Segment revenues – external	154,470	21,994	-	176,464
Segment profit	34,309	5,766	-	40,075
<b>As at 31 December 2018 (audited)</b>				
Segment assets	5,940,326	262,790	-	6,203,116
Segment liabilities	1,497,809	230,404	-	1,728,213

In the current period, management has determined a new segment, “Hospitality” based on criteria established for segment reporting. Certain assets relating to this segment were completed and ready for use in the current period (Note 7).

### Geographic information

The carrying amount of total assets located outside the United Arab Emirates as at 31 March 2019 is AED 3.3 million (31 December 2018: AED 3.3 million).

### 6 Investment properties

	UAE Office Building AED'000	UAE Parking Spaces AED'000	UAE Stores Units AED'000	UAE Retail Units AED'000	31 March 2019 Total AED'000	31 December 2018 Total AED'000
<b>Fair value hierarchy</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>		
<b>(Unaudited)</b>						
Fair value at the beginning of the reporting period	83,707	68,914	10,711	187,260	350,592	338,019
Additions	-	-	-	-	-	44
Disposal	-	-	-	-	-	(165)
Transfer from/ (to) properties held for sale	-	(7,185)	-	-	(7,185)	11,47
Net gain from fair value adjustments on investment properties	-	8,239	-	-	8,239	1,224
Fair value at the end of reporting period	83,707	69,968	10,711	187,260	351,646	350,592

# Deyaar Development PJSC

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019 (continued)

### 6 Investment properties (continued)

During the current period, the Company has reclassified additional parking spaces from properties held for sale to investment properties as a result of change in use of these parking spaces. These parking spaces were reclassified to investment properties at their fair value resulting in a total fair value gain of AED 8.2 million (Note 8).

Furthermore, the Company has also reclassified certain parking spaces from investment properties to properties held for sale as a result of change in use of these parking spaces. These parking spaces were earlier recognised in accordance with the fair value accounting policy adopted for measurement of the investment property and upon reclassification, the carrying value of the parking spaces was deemed to be its cost in accordance with accounting policy adopted for recognition and measurement of properties held for development and sale (Note 8).

In 2018, the Company had reclassified certain retail units from properties held for sale to investment properties as a result of change in use of these retail units. The units were reclassified to investment properties at their fair value on the date of transfer based on a fair value assessment carried out by an external valuer resulting in a total fair value gain of AED 6.4 million (Note 8).

Investment properties are recognised at fair value and categorised within the level of the fair value hierarchy based on the lowest level input that is significant to fair value measurement in their entirety. The different levels have been defined as follows:

Investment properties with carrying value of AED 248.7 million (*31 December 2018: AED 248.7 million*) are mortgaged against bank borrowings (Note 11).

For retail units, parking spaces and store units, the valuation was determined using the indicative fair values of these investment properties as at 31 December 2018 provided by an independent professionally qualified valuer. The valuer has used sales comparison method to determine the fair values of these assets. Management believes that there was no material variance in the value of Group's investment properties at end of the current period.

### 7 Property and equipment

During the period, the Group has capitalised capital work in progress representing a hotel apartment building and related assets amounting to AED 79.7 million. The Group has a policy of depreciating assets on a straight-line method, at rates calculated to reduce the cost of assets to their estimated residual value. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. The Group depreciates buildings from 20 to 35 years and furniture and fixtures from 4 to 8 years. Also refer Note 8.

### 8 Properties held for development and sale

Management's assessment of the net realisable value of the properties held for development and sale resulted in a net reversal of an impairment amounting to AED 0.6 million (*for the year ended 31 December 2018: AED 1.3 million and for three month period ended 31 March 2018: AED 0.1 million*), which was recognized in the condensed consolidated statement of profit or loss under "direct / operating costs".

Net realisable value has been determined on the basis of committed sale price if the remaining receivable amount is lower than the current market value of the units booked by customers. For units not yet booked by customers, net realisable value takes into consideration the expected market prices.

During the current period, the Company has reclassified additional parking spaces from investment properties to properties held for sale as a result of change in use of these parking spaces. These parking spaces were reclassified to investment properties at their fair value on the date of transfer (Note 6).



# Deyaar Development PJSC

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019 (continued)

### 8 Properties held for development and sale (continued)

Furthermore, the Company has also reclassified certain parking spaces amounting to AED 7.2 million from investment properties to properties held for sale as a result of change in use of these parking spaces (Note 6).

During the current period, the Company has reclassified additional units in a service apartment building amounting to AED 130.5 million based on change in use of these units. Also refer note 7.

In 2018, the Company had reclassified additional units from its portfolio of retail units in various buildings amounting to AED 11.5 million from property held for sale to investment properties based on change in use (Note 6).

In 2018, a related party receivable balance was settled partially through a plot of land recorded under land held for future development and sale. The Group had recorded the plot of land at its fair value amounting to AED 82.6 million.

The Company had also acquired plot of land amounting to AED 58.6 million from a master developer in 2018 as part of the settlement agreement signed in the previous year.

Plots of land with total carrying value of AED 635.5 million (31 December 2018: AED 635.5 million) and Properties with total carrying value of AED 169 million (31 December 2018: AED 171 million) are mortgaged under Islamic finance obligations (Note 11).

In the current period, the Company has recognised an amount of AED 116 million (for three month period ended 31 March 2018: AED 121 million) in condensed consolidated statement of profit or loss under “directs / operating costs” against revenue recognised of AED 143.1 million (for three month period ended 31 March 2018: AED 144.7 million).

For lands held for future development and use amounting to AED 827.8 million as at reporting date (31 December 2018: AED 826.8 million), management is currently evaluating feasibility of the projects and considering alternative viable profitable options as well as various offers from potential buyers.

### 9 Advance for purchase of properties

	31 March 2019 AED'000 (Unaudited)	31 December 2018 AED'000 (Audited)
Advance for purchase of share in real estate project	397,049	397,049
Less: provision for impairment	(266,169)	(267,439)
	<u>130,880</u>	<u>129,610</u>

In previous years, the Company had entered into a Memorandum of Understanding (MoU) for purchase of a share in a portfolio of investment properties in a real estate project. The advance is recoverable by means of transfer of the Company's share of properties in the project. In 2018, the Company had signed an agreement where the parties including the Company will jointly allocate the project's assets in proportion to the share of each party in the project. The allocation of the Company's share of properties is expected to be completed in 2019.

### 10 Related party transactions and balances

Related parties include the significant shareholders, key management personnel, associates, joint ventures, directors and businesses which are controlled or jointly controlled, directly or indirectly, by the significant shareholders or directors or over which they exercise significant management influence.

# Deyaar Development PJSC

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019 (continued)

### 10 Related party transactions and balances (continued)

#### (a) Related party transactions

During the period, the Group entered into the following significant transactions with related parties in the normal course of business and at prices and terms agreed by the group's management:

	Three month period ended 31 March 2019 AED'000 (Unaudited)	Three month period ended 31 March 2018 AED'000 (Unaudited)
<b>A significant shareholder</b>		
Other operating income/finance income	653	1,067
Finance cost	6,254	4,737
Borrowings drawdown	52,500	19,229
Borrowings repayment	12,819	13,500

#### (b) Remuneration of key management personnel

	Three month period ended 31 March 2019 AED'000 (Unaudited)	Three month period ended 31 March 2018 AED'000 (Unaudited)
Salaries and other short term employee benefits	3,402	3,155
Termination and post-employment benefits	98	90
	<b>3,500</b>	<b>3,245</b>

During the current period, an additional provision for the Board of Directors' remuneration amounting to AED 0.6 million was recognized (*during the three month period ended 31 March 2018: reversal of AED 0.8 million*) based on the final approval of the shareholders in the Annual General Meeting dated 15<sup>th</sup> April 2019.

#### Due from related parties

	31 March 2019 AED'000 (Unaudited)	31 December 2018 AED'000 (Audited)
Due from a joint venture	5,141	5,068
Due from other related parties	1,200,161	1,200,151
	<b>1,205,302</b>	<b>1,205,219</b>
Less: provision for impairment	<b>(396,507)</b>	<b>(396,545)</b>
	<b>808,795</b>	<b>808,674</b>

Cash and bank balances include fixed deposits of AED 105 million (*31 December 2018: AED 145 million*) deposited with a significant shareholder of the company (a bank), at market prevailing profit rates.

# Deyaar Development PJSC

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019 (continued)

### 10 Related party transactions and balances (continued)

#### (c) Due from related parties

In 2010, the Group entered into a sale and purchase agreement with a related party (“the purchaser”) to sell properties for a sale consideration agreed on by both parties as per the initial agreement of AED 3,647.5 million.

Following various amendments to the original agreement and partial settlement of the balance, the outstanding amount from the related party as at 31 March 2019 is AED 1,198.7 million (31 December 2018: AED 1,198.7 million) against which a provision for impairment amounting to AED 395.1 million exists. The outstanding balance based on the last amendment effective from 31 December 2018, is to be settled by the purchaser no later than 31 December 2019.

#### Partial settlement

In 2018, the Group had signed an amendment and partial settlement agreement with the related party for partial settlement of receivable balance by AED 602.2 million. A portion of this receivable amounting to AED 311.3 million was settled through a plot of land which was recorded at its fair value (refer below and Note 8).

#### Impairment provision

In 2018, provision for an amount of AED 651.9 million was recognised as an adjustment to equity as per transition requirements of IFRS 9. Subsequently, on partial settlement of receivable during the previous year, an amount of AED 224.9 million was written off against the provision for impairment. Furthermore, a reversal of provision for impairment based on updated estimates in expected credit loss model amounting to AED 31.9 million was recognised in the Group’s consolidated financial statements for the year ended 31 December 2018. To determine the provision for impairment, management had applied certain key assumptions and judgments in accordance with IFRS 9 – Financial Instruments in order to determine the expected credit loss which includes the use of various forward-looking information that could impact the timing and/or amount of recoveries.

#### (d) Due to a related party

	31 March 2019 AED’000 (Unaudited)	31 December 2018 AED’000 (Audited)
<b>Current</b>		
Due to a significant shareholder	226	-
	226	-

At 31 March 2019, the Group had bank borrowings from a significant shareholder (a bank) of AED 433.9 million (31 December 2018: AED 431.2 million), at market prevailing profit rates. Also refer Note 11.

# Deyaar Development PJSC

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019 (continued)

### 11 Borrowings

	31 March 2019 AED'000 (Unaudited)	31 December 2018 AED'000 (Audited)
<b>Islamic finance obligations</b>		
Current	192,340	215,207
Non-current	773,760	798,626
<b>Total borrowings</b>	<b>966,100</b>	<b>1,013,833</b>
		<b>Total AED'000</b>
1 January 2018		668,339
Drawdown		451,079
Repayments		(105,585)
<b>31 December 2018 – audited</b>		<b>1,013,833</b>
1 January 2019		1,013,833
Drawdown		104,871
Repayments		(152,604)
<b>31 March 2019 – Unaudited</b>		<b>966,100</b>

The Islamic finance obligations represent Ijarah and Murabaha facilities obtained from Dubai Islamic Bank PJSC (a significant shareholder), and from other local Islamic banks. The facilities were availed to finance the properties under construction and working capital requirements. The Islamic finance obligations carry market prevailing profit rates and are repayable in monthly or quarterly instalments over a period of three to twelve years from the reporting date (31 December 2018: three to twelve years).

The Islamic finance obligations are secured by mortgages over properties classified under property held for development and sale (Note 8), property and equipment and investment properties (Note 6). Further, certain facilities with banks are subject to financial covenants.

Also refer Note 10.

### 12 Trade and other payables

Trade and other payables include provision relating to claims made by third parties and customers against the Company. The provisions are based on management's best estimate after considering the potential cash flows in respect of the claim on a case to case basis.

### 13 Investment in a joint venture and an associate

In the previous period, share of the results from joint venture includes fair valuation gain of AED 26.7 million on the investment properties portfolio held by the joint venture based on management's internal assessment of Group's share in these properties.

# Deyaar Development PJSC

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019 (continued)

### 14 Cash flows from operating activities

	Three month ended 31 March	
	2019 AED'000 (Unaudited)	2018 AED'000 (Unaudited)
Profit for the period	18,264	40,075
Adjustment for		
Depreciation	2,020	1,562
Provision for employees' end of service benefits	754	649
Reversal of provision for impairment of properties held for development and sale	(564)	(110)
Provision for doubtful debts	1,126	-
Provision / (reversal) for claims	692	(3,529)
Write back of provision for impairment against advance for purchase of properties	(1,270)	(4,820)
Gain on fair valuation of investment property (Note 6)	(8,239)	-
Finance income	(3,048)	(2,188)
Finance costs	11,033	6,019
Share of results from a joint venture and an associate	(4,095)	(30,499)
Operating cash flows before payment of employees' end of service benefits and changes in working capital	16,673	7,159
Payment of employees' end of service benefits	(848)	(375)
Changes in working capital:		
Property held for development and sale (net of project cost accruals)	(1,975)	11,447
Trade and other receivables – non current	(30,982)	10,974
Trade and other receivables – current	(50,049)	(86,056)
Due from related parties	(83)	(249)
Inventories	(194)	(500)
Retentions payable – non current	4,592	(9,087)
Retentions payable – current	5,125	(18,548)
Advances from customers – current	23,202	(13,604)
Trade and other payables	16,388	25,368
Due to related parties	226	414
<b>Net cash used in operating activities</b>	<b>(17,925)</b>	<b>(77,567)</b>

Bank accounts include balance of AED 47.7 million (31 December 2018: AED 134.2 million) and fixed deposits of AED 35 million (31 December 2018: AED 5 million) at market prevailing profit rates held in escrow accounts relating to advance collected from customers which are available for payments relating to construction of development properties.

### 15 Commitments

At 31 March 2019, the Group had total commitments of AED 297.6 million (31 December 2018: AED 412 million) with respect to project related contracts issued net of invoices received and accruals made at that date. The Group also had commitments with respect to purchase of land of AED 170.4 million (31 December 2018: AED 170.4 million) (Refer note 10(c) and note 16).

# Deyaar Development PJSC

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019 (continued)

### 16 Contingent liabilities

At 31 March 2019, the Group had contingent liabilities in respect of performance bond and guarantees issued by a bank, in the ordinary course of business, amounting to AED 136.2 million (31 December 2018: AED 135.6 million). Also, the Group had contingent liabilities, on behalf of a subsidiary, in respect to guarantees issued by a bank amounting to AED 3.4 million (2018: AED 3.4 million). The Group anticipates that no material liabilities will arise from these performance and other guarantees.

The Company is also a party to certain legal cases in respect of certain plots of land and party to various potential claims from customers and, where necessary, makes adequate provisions against any potential claims. Such provisions are reassessed regularly to include significant claims and instances of potential litigations. Based on review of opinion provided by the legal advisors / internal legal team, management is of the opinion that no material cash outflow in respect of these claims is expected to be paid by the Company in these legal cases over and above the existing provision in the books of accounts. The Company has elected not to present the complete disclosures as required by IAS 37 "Provision and Contingent Liabilities and Contingent Assets" as management is of the view that since the legal claims are sub-judice and are disputed, therefore this information may be prejudicial to their position on these matters. Also refer note 15.

Certain other contingent liabilities may arise during the normal course of business, which based on the information presently available, either cannot be quantified at this stage or in the opinion of the management is without any merit. However, in the opinion of management, these contingent liabilities are not likely to result in any significant cash outflows for the Group.

### 17 Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

	Amortised cost AED'000	Equity instrument at fair value through other comprehensive income AED'000	Total AED'000
<b>31 March 2019 (unaudited)</b>			
<b>Assets as per statement of financial position</b>			
Equity instrument at fair value other comprehensive income	-	14,791	14,791
Trade, contract and other receivables excluding prepayments and advances	756,030	-	756,030
Due from related parties	808,795	-	808,795
Long term fixed deposits	42,817	-	42,817
Bank balances	518,736	-	518,736
	<b>2,126,378</b>	<b>14,791</b>	<b>2,141,169</b>
		<b>Amortised cost AED'000</b>	<b>Total AED'000</b>
<b>Liabilities as per statement of financial position</b>			
Trade and other payables		659,310	659,310
Retentions payable		73,053	73,053
Borrowings		966,100	966,100
		<b>1,698,463</b>	<b>1,698,463</b>

# Deyaar Development PJSC

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019 (continued)

### 17 Financial instruments by category (continued)

	Amortised cost AED'000	Equity instrument at fair value through other comprehensive income AED'000	Total AED'000
31 December 2018 (audited)			
<b>Assets as per statement of financial position</b>			
Equity instrument at fair value other comprehensive income	-	17,635	17,635
Trade, contract and other receivables excluding prepayments and advances	691,075	-	691,075
Due from related parties	808,674	-	808,674
Long term fixed deposits	42,654	-	42,654
Bank balances	615,888	-	615,888
	<b>2,158,291</b>	<b>17,635</b>	<b>2,175,926</b>

	Amortised cost AED'000	Total AED'000
31 December 2018 (audited)		
<b>Liabilities as per statement of financial position</b>		
Trade and other payables	627,142	627,142
Retentions payable	63,336	63,336
Borrowings	1,013,833	1,013,833
	<b>1,704,311</b>	<b>1,704,311</b>

The following table presents the Group's financial assets that are measured at fair value, by valuation method:

	Level 1 AED'000	Total AED'000
<b>As at 31 March 2019 (unaudited)</b>		
Equity instrument at fair value through other comprehensive income	14,791	14,791
<b>As at 31 December 2018 (audited)</b>		
Equity instrument at fair value through other comprehensive income	17,635	17,635

The carrying value less impairment provision of trade receivables, contract assets, due from related parties, bank balances and long term fixed deposit is assumed to be approximate their fair values keeping in view the period over which these are expected to be realised. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. Other receivables and payables approximate their fair values.